



MPHB CAPITAL BERHAD (1010253-W)



Annual Report **2013**
Laporan Tahunan

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CORPORATE PROFILE

MPHB Capital Berhad (“MPHB Capital”), the holding company for the MPHB Capital Group of Companies (“MPHB Capital Group”), was incorporated on 17 July 2012 as a private limited company and subsequently converted into a public limited company and assumed its present name on 23 July 2012. The Company was listed on the Main Market of Bursa Malaysia Securities Berhad on 28 June 2013. The MPHB Capital Group is involved in the businesses of:-

- . Insurance

- . Credit and investments

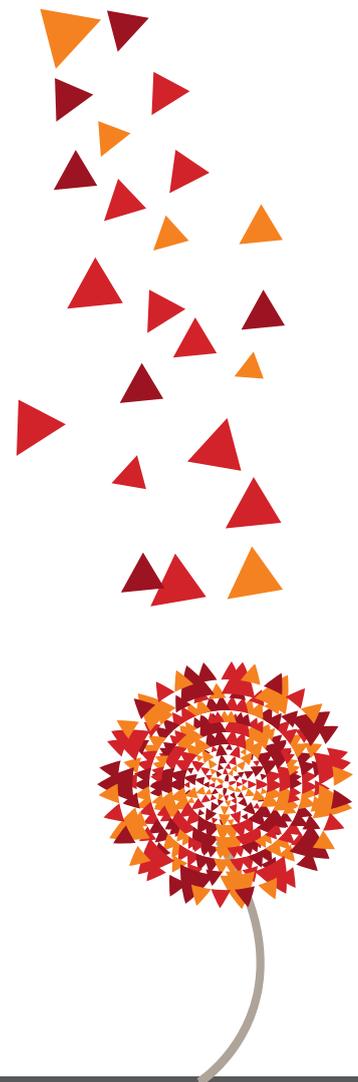
The MPHB Capital Group is committed towards the key fundamentals stated below:-

- . achievement of excellence in its businessess

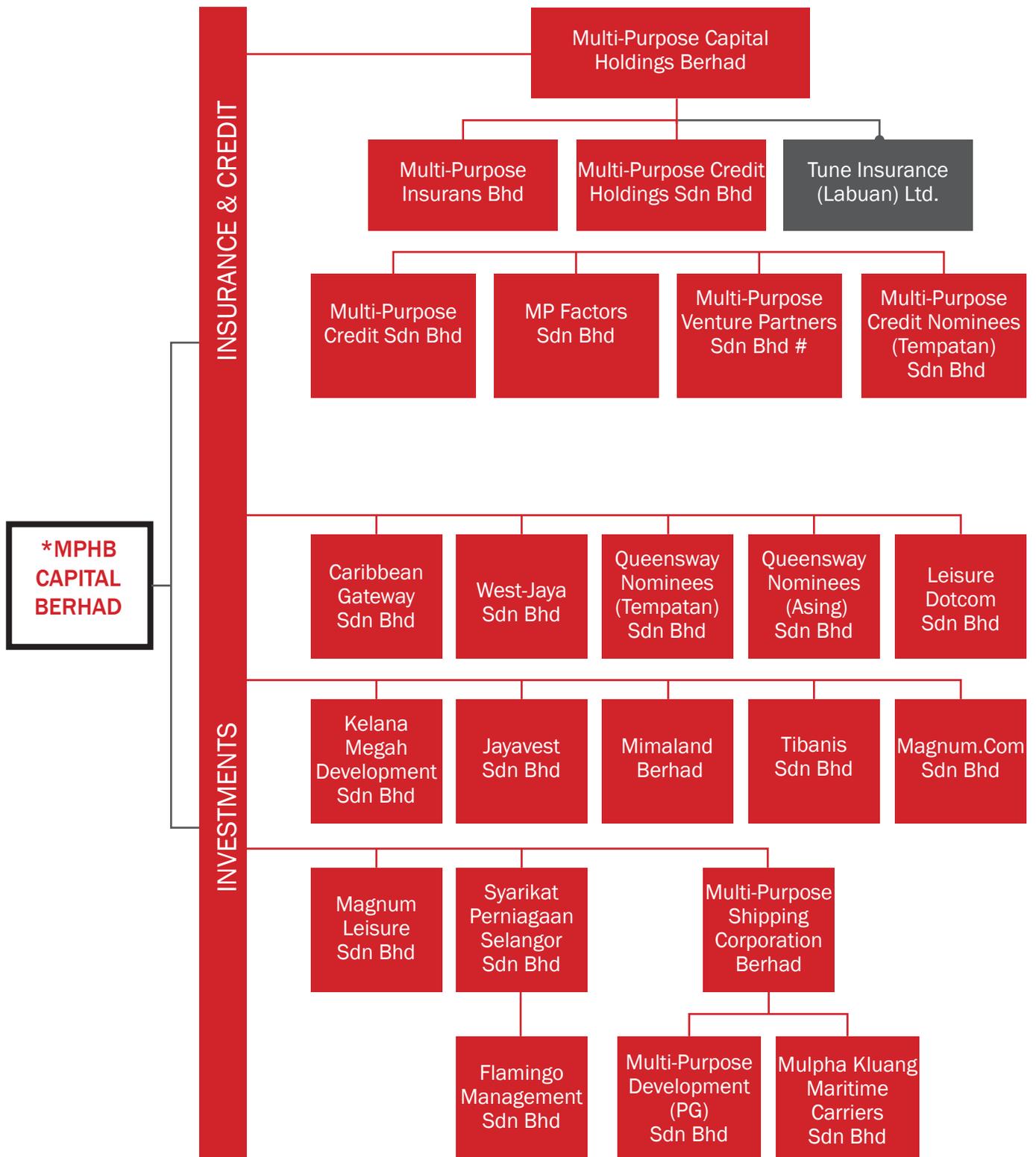
- . strive to obtain optimum value for its shareholders

- . to be a caring and fair employer and

- . a socially responsible corporate citizen



CORPORATE STRUCTURE AS AT 31 MARCH 2014



- Subsidiary Company
- Associated Company
- * Listed on Bursa Malaysia Securities Berhad
- # In liquidation

CORPORATE INFORMATION

DIRECTORS

Tan Sri Dato' Dr Yahya bin Awang
Tan Sri Dato' Surin Upatkoon
Mr Ng Kok Cheang
Ms Ivevei Upatkoon
Dato' Lim Tiong Chin
Mr Kuah Hun Liang

Independent Non-Executive Chairman
Non-Independent Managing Director
Non-Independent Executive Director
Non-Independent Executive Director
Non-Independent Non-Executive Director
Independent Non-Executive Director

AUDIT COMMITTEE

Mr Kuah Hun Liang
(Chairman)
Tan Sri Dato' Dr Yahya bin Awang
Dato' Lim Tiong Chin

REMUNERATION COMMITTEE

Tan Sri Dato' Dr Yahya bin Awang
(Chairman)
Tan Sri Dato' Surin Upatkoon
Mr Kuah Hun Liang

NOMINATION COMMITTEE

Tan Sri Dato' Dr Yahya bin Awang
(Chairman)
Dato' Lim Tiong Chin
Mr Kuah Hun Liang

MANAGEMENT

Tan Sri Dato' Surin Upatkoon
(Managing Director)
Mr Ng Kok Cheang
(Executive Director)
Ms Ivevei Upatkoon
(Executive Director)
Ms Kheoh And Yeng
(Chief Operating Officer)

SECRETARY

Ng Sook Yee (MAICSA 7020643)

REGISTERED OFFICE

39th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Telephone No. : 603-26948333
Fax No. : 603-26946849

SHARE REGISTRAR

Metra Management Sdn Bhd (62169-A)
30.02, 30th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Telephone No. : 603-26983232
Fax No. : 603-26948571

AUDITORS

Messrs Ernst & Young

PRINCIPAL BANKERS

Malayan Banking Berhad
Alliance Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
(Listed on 28 June 2013)
Stock Name: MPHBCAP
Stock Code: 5237
ISIN Code: MYL523700002

WEBSITE

www.mphbcap.com.my

E-MAIL

Info@mphbcap.com.my



FINANCIAL HIGHLIGHTS

2013
RM'000

ASSETS

Non-current assets

Property, plant and equipment	87,324
Investment properties	744,051
Investments	362,755
Intangible assets	54,482

1,248,612

Current assets	1,060,976
Asset held for sale	30,195

TOTAL ASSETS **2,339,783**

EQUITY AND LIABILITIES

Equity attributable to Owners of the Company

Share capital	715,000
Reserves	363,545

Shareholders' fund	1,078,545
Non-controlling interests	15,389

Total equity **1,093,934**

Non-current liabilities	87,800
Current liabilities	1,135,443
Liability directly associated with asset held for sale	22,606

Total liabilities 1,245,849

TOTAL EQUITY AND LIABILITIES **2,339,783**

FINANCIAL RESULTS

Profit before tax	57,590
Income tax expense	(10,718)

Profit for the year	46,872
Non-controlling interests	1,377

Profit attributable to Owners of the Company **48,249**

FINANCIAL RATIOS

Basic earnings per share (Sen)	8.90
Net assets per share (RM)	1.51
Return on equity (%)	4.47

No comparative figures are available as the Group has elected no restatement of financial information in the consolidated financial statements for the periods prior to the combination of the entities under common control.



DIRECTORS' PROFILE



TAN SRI DATO' DR YAHYA BIN AWANG

Independent Non-Executive Chairman

Tan Sri Dato' Dr Yahya bin Awang, a Malaysian, aged 63, was appointed as an Independent Non-Executive Chairman/Director of MPHB Capital Berhad ("MPHB Capital" or "the Company") on 1 August 2012. Tan Sri Yahya is also the Chairman of the Nomination Committee and Remuneration Committee, and a member of the Audit Committee of MPHB Capital.

Tan Sri Yahya graduated from Monash University in Australia with a Bachelor of Medicine and Bachelor of Surgery degree in 1974. Tan Sri Yahya became a Fellow of the Royal College of Surgeons and Physicians of Glasgow in 1980.

Moving to London in 1981, Tan Sri Yahya worked as a Surgical Registrar in the Department of Cardiothoracic Surgery at Royal Brompton Hospital before returning to Malaysia to take up the role of Cardiothoracic Surgeon at the General Hospital. From 1992 until 2004, Tan Sri Yahya held the position of Head and Senior Consultant Cardiothoracic Surgeon at the National Heart Institute of Malaysia, and from 1998 to 2002, he was also the Medical Director of the Institute.

Tan Sri Yahya's many professional achievements include pioneering the establishment of The National Heart Institute of Malaysia in 1992 and performing the first Heart Transplant in Malaysia in 1997. Tan Sri Yahya is the author of many scholarly and professional articles and has made numerous presentations to professional audiences.

Tan Sri Yahya has been a Consultant Cardiothoracic Surgeon at Damansara Heart Centre, Damansara Specialist Hospital since March 2003. He was a council member of the Association of Thoracic and Cardiovascular Surgeons of Asia. He is also a committee member of the Malaysian Board of Cardiothoracic Surgery. In 2011, he was appointed as the Pro-Chancellor of University of Teknologi Malaysia.

Currently, Tan Sri Yahya also sits on the Board of Multi-Purpose Insurans Bhd, Tokio Marine Life Insurance Malaysia Bhd, KPJ Healthcare Berhad and several private limited companies in Malaysia. Tan Sri Yahya is also a Trustee of Yayasan Wah Seong.

He attended all of the two (2) Board Meetings held during the financial year ended 31 December 2013.



TAN SRI DATO' SURIN UPATKOON

Non-Independent Managing Director

Tan Sri Dato' Surin Upatkoon, a Thai National, aged 65, was appointed as a Director of the Company on 17 July 2012 and as Managing Director of the Company on 14 May 2013. Tan Sri Dato' Surin is also a member of Remuneration Committee of the Company.

Tan Sri Dato' Surin completed his secondary education in Han Chiang High School, Penang in 1970. He began his career with MWE Weaving Mills Sdn Bhd in 1971 as a manager and he was appointed as the Managing Director of MWE Spinning Mills Sdn Bhd in 1974 where he was in charge of its daily operations. In 1976, he became an Executive Director of MWE Holdings Berhad. Subsequently, in 1979, he was appointed as the Managing Director of MWE Weaving Mills Sdn Bhd. In 2000, he was appointed as an Executive Director of Magnum Berhad (formerly known as Multi-Purpose Holdings Berhad) ("Magnum") and subsequently, in 2002, he was appointed as the Managing Director of Magnum where he played a major role in formulating the business strategies and direction of the Magnum

Group and was actively involved in the policy making aspects of the operations of the Magnum Group. He was re-designated as Non-Independent Non-Executive Chairman of Magnum on 26 June 2013.

Tan Sri Dato' Surin Upatkoon is responsible for developing and implementing the strategic vision for the growth and expansion of MPHB Capital Group, and ensuring effective control of the general management and operations of the MPHB Capital Group. He has vast working experience in formulating the business strategies/direction as well as in policy making aspects of the business operations of the MWE Group and Magnum Group.

Tan Sri Dato' Surin also sits on the Board of MWE Holdings Berhad, Multi-Purpose Capital Holdings Berhad, Magnum 4D Berhad, Mimaland Berhad and several private limited companies in Malaysia. He is also a Trustee of Chang Ming Thien Foundation and Magnum Foundation.

Tan Sri Dato' Surin attended all of the two (2) Board Meetings held during the financial year ended 31 December 2013.



DIRECTORS' PROFILE (cont'd)



NG KOK CHEANG

Non-Independent Executive Director

Mr Ng Kok Cheang, a Malaysian, aged 57, was appointed as a Director of the Company on 17 July 2012 and as an Executive Director of the Company on 14 May 2013. He does not sit on any Board committee of the Company.

Mr Ng obtained his higher school certificate from Technical Institute, Penang in 1977. He has vast working experience in property valuation, property management and property development. He commenced his career in the Property Valuation/General Practice Surveying profession in 1979 with an established Chartered Valuation Firm as a valuation assistant. In 1981, he was promoted to a manager and was a consultant in various property development companies. In 1996, he joined Penas Realty Sdn Bhd as a planning manager, where he was responsible for the sourcing of land bank, planning and project feasibility/marketing of development projects. He was also involved in the development of

residential and mixed developments which include shopping malls, condominiums and shophouses. In 2002, he was appointed as an Executive Director of Magnum Berhad (formerly known as Multi-Purpose Holdings Berhad) ("Magnum") and subsequently ceased to be an Executive Director of Magnum in May 2013.

Mr Ng currently also sits on the Board of several private limited companies.

He attended all of the two (2) Board Meetings held during the financial year ended 31 December 2013.



DATO' LIM TIONG CHIN

Non-Independent Non-Executive Director

Dato' Lim Tiong Chin, a Malaysian, aged 61, was appointed as a Non-Independent Non-Executive Director of the Company on 1 August 2012. Dato' Lim is also a member of the Audit Committee and Nomination Committee of the Company.

Dato' Lim is a Public Accountant by profession and is a Fellow of the Institute of Chartered Accountants in England and Wales. He is also an Associate Member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

Dato' Lim was the Managing Director of A.A. Anthony Securities Sdn. Bhd. from 2001 to February 2013. Prior to joining A.A. Anthony Securities Sdn Bhd, he was a Partner of Kiat & Associates from 1977 to 1983, General Manager of A.A. Anthony & Co. Sdn Bhd from 1983 to 1985, Chairman and Managing Director of A.A. Anthony & Co. Sdn Bhd from 1985 to 3 September 2001.

Dato' Lim also sits on the Board of Multi-Purpose Insurans Bhd, The Kedah Transport Company Berhad and several private limited companies in Malaysia.

Dato' Lim attended all of the two (2) Board Meetings held during the financial year ended 31 December 2013.



DIRECTORS' PROFILE (cont'd)



KUAH HUN LIANG

Independent Non-Executive Director

Mr Kuah Hun Liang, a Malaysian, aged 52, was appointed as an Independent Non-Executive Director of the Company on 4 March 2013. He is also a Chairman of the Audit Committee and a member of Nomination Committee and Remuneration Committee of the Company.

Mr Kuah obtained a Bachelor of Science (Hons) degree in Applied Economics from the University of East London, United Kingdom in 1982. He started his banking career in Public Bank Berhad in 1983. He joined Deutsche Bank AG in 1989 where he served as a treasurer and was then promoted as the head of global markets in 1995. In 2000, he was appointed as an Executive Director of Deutsche Bank (M) Bhd and promoted to be the Chief

Executive Officer and Managing Director in 2002 and held the position until September 2006. He also held the position as a treasurer and a Director of Malaysian-German Chamber of Commerce and the Chairman of Star Publications (Malaysia) Berhad. He was formerly a member of the Quality Assurance Committee for Financial Sector Talent Enrichment Programme (FSTEP), part of Institut Bank-Bank Malaysia.

Mr Kuah is currently an independent director of Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad and Rexit Berhad.

Mr Kuah attended all of the two (2) Board Meetings held during the financial year ended 31 December 2013.



IVEVEI UPATKOON

Non-Independent Executive Director

Ms Ivevei Upatkoon, a Thai National, aged 37, was appointed as an Executive Director of the Company on 20 February 2014. She does not sit on any Board committee of the Company.

Ms Ivevei obtained a Master in Business Administration from INSEAD in 2004, a Bachelor of Economics and Bachelor of Arts Degree (Honours) majoring in Japanese Studies in 1997, both from the University of Michigan.

Ms Ivevei has more than 5 years working experience in property development strategy, property management and property investment. Prior to being appointed

as Executive Director, she was the General Manager, Property of the Company. She joined Magnum Berhad (formerly known as Multi-Purpose Holdings Berhad) ("Magnum") as a manager in 2008 and was then promoted as the Assistant General Manager, Property in 2010. Before joining Magnum in 2008, she was employed in companies involved in corporate finance/advisory, systems consulting, e-commerce services and e-business strategy consulting/advisory.

She also sits on the Board of Mimaland Berhad and several private limited companies in Malaysia and is a Trustee of Magnum Foundation.

Notes:

1. Family Relationship with Director and/or Major Shareholder

Ms Ivevei Upatkoon is the daughter of Tan Sri Dato' Surin Upatkoon, the Managing Director and major shareholder of the Company. Save as disclosed herein, none of the Directors has any family relationship with any director and/or major shareholder of the Company.

2. Conflict of Interest

None of the Directors has any conflict of interest with the Company.

3. Conviction of Offences

None of the Directors has been convicted of any offences in the past ten(10) years.



CHAIRMAN'S STATEMENT

Ladies and gentlemen,

It is my privilege and delight to present the first Annual Report and Audited Financial Statements of the Group and Company for the financial year ended 31 December 2013.

It has been a memorable year for the Group as we witnessed the successful listing and quotation of the Company's entire issued and paid-up share capital of 715 million shares of RM1.00 each on the Main Market of Bursa Securities Malaysia Berhad ("Bursa") on 28 June 2013.

With the outstanding leadership of our experienced Managing Director, Tan Sri Dato' Surin Upatkoon, invaluable contributions from our dedicated Board of Directors and competency of our management team, the profit for the year for the Company and the Group is recorded at RM37.87 million and RM46.87 million respectively.

BUSINESS PERFORMANCE

Despite the challenging economic environment, the Group achieved revenue of RM245.97 million in 2013. This is largely contributed by the Insurance business with revenue of RM215.77 million which is 87.72% of the total revenue. Credit and Investment businesses made up the remaining RM30.20 million or 12.28% of the revenue.

In tandem with the revenue composition, the operating profit of the Group at RM61.32 million is mainly attributable to Insurance business which generated an operating profit of RM44.92 million whilst Credit and Investment businesses achieved an operating profit of RM16.40 million.

The basic earnings per share for the Group in 2013 is 8.90 sen.

REVIEW OF OPERATIONS

a) Insurance Division

Our insurance arm achieved revenue and operating profit of RM215.77 million and RM44.92 million in 2013 with is 87.72% and 73.26% of the Group's revenue and operating profit respectively.

The insurance division intends to improve operational effectiveness, expand its market share through organic growth from business channels via multi-pronged business strategies, utilisation of existing multiple distribution options and development of alternative channels as well as strengthening their agency force. The introduction of new or enhanced innovative products to tap the wide and diverse market segments will serve to establish a solid foothold in the industry.

Together with the expertise of the insurance team, it is envisaged that the performance of the insurance business will take the Group to a new level in terms of profitability, stability and growth in the future.

b) Credit and Investment businesses

The Credit business contributed RM6.34 million to the operating profit of Group.

Investment relates to the hotel operations, investment properties and joint ventures which contributed RM29.06 million and RM10.06 million to the revenue and operating profit of the Group. The hotels aim to maintain its competitive edge with greater emphasis on better customer service and promotional activities to retain existing clientele and to attract new guests. As for the investment properties, the Group will continue to assess and evaluate all viable options to optimise returns to the shareholders either through joint ventures with reputable partners or outright disposal at the right price and time.



CHAIRMAN'S STATEMENT (cont'd)

One of our subsidiaries, Multi-Purpose Shipping Corporation Berhad had concluded the disposal of 7 parcels of land as disclosed in Note 34 (b).

MARKET OUTLOOK AND PROSPECTS

The Malaysian economy is expected to remain fairly stable as it is domestic driven primarily with local and private activities and the Gross Domestic Product growth is expected to be in the region of 5%-5.5% in 2014.

The Group will continue to focus on its core activities and to formulate policies to strengthen and build up its businesses for long term stability and returns.

GOVERNANCE

Our Group is committed to a certain standards of corporate governance as it is a fundamental part of being a responsible corporate entity. Since the listing on the Bursa, we have instituted our governance framework and processes.

CORPORATE DEVELOPMENT

On 22 January 2014, the Company announced that Bank Negara Malaysia ("BNM") had no objection in principle for the Company to commence preliminary negotiations with an interested party in relation to the strategic alliance with the Insurance business of the Group, which may result in the disposal of a minority interest in the business.

APPRECIATION AND ACKNOWLEDGEMENT

I am impressed by the strength of our Board members and the commitment, quality and teamwork of our people. Thank you for all your dedication, expertise and hard work for the results the Group has attained.

Our Group acknowledges with gratitude the support from our esteemed customers, bankers, business associates and shareholders for your confidence and trust in us.

TAN SRI DATO' DR YAHYA BIN AWANG
CHAIRMAN

23 APRIL 2014



PENYATA PENGERUSI

Tuan-tuan dan puan-puan,

Saya dengan sukacitanya membentangkan Laporan Tahunan Pertama dan Penyata Kewangan yang telah diaudit bagi Kumpulan dan Syarikat bagi tahun kewangan berakhir 31 Disember 2013.

Tahun ini merupakan tahun yang tidak dapat dilupakan bagi Kumpulan di mana kita menyaksikan kejayaan penyenaian dan penawaran modal yang diterbitkan dan berbayar sebanyak 715 juta saham bernilai RM1.00 sesaham di Pasaran Utama Bursa Securities Malaysia Berhad ("Bursa") pada 28 Jun 2013.

Dengan kepimpinan yang cemerlang daripada Pengarah Urusan kami, Tan Sri Dato' Surin Upatkoon, sumbangan yang tidak ternilai daripada Lembaga Pengarah kami yang berdedikasi serta kecekapan kumpulan pengurusan kami, keuntungan bagi tahun kewangan yang direkodkan untuk Syarikat dan Kumpulan adalah masing-masing sebanyak RM37.87 juta dan RM46.87 juta.

PRESTASI

Meskipun dengan persekitaran ekonomi yang mencabar, Kumpulan telah mencatatkan perolehan sebanyak RM245.97 juta pada tahun 2013. Sebahagian besar daripada perolehan ini adalah disumbangkan oleh perniagaan Insurans dengan perolehan sebanyak RM215.77 juta, di mana ianya adalah 87.72% daripada jumlah perolehan. Perniagaan-perniagaan Kredit dan Pelaburan pula telah menyumbang sebanyak RM30.20 juta, iaitu 12.28% daripada jumlah perolehan.

Selaras dengan komposisi perolehan, sebahagian besar daripada hasil sumbangan bagi keuntungan operasi Kumpulan iaitu pada RM61.32 juta adalah melalui perniagaan Insurans, di mana ia telah menyumbangkan perolehan operasi sebanyak RM44.92 juta, sementara perniagaan Kredit dan Pelaburan pula telah memperolehi perolehan operasi sebanyak RM16.40 juta.

Pendapatan asas sesaham bagi Kumpulan pada tahun 2013 adalah 8.90 sen.

TINJAUAN OPERASI

a) Bahagian Insurans

Cabang Insurans kami telah mencapai perolehan dan keuntungan operasi sebanyak RM215.77 juta dan RM44.92 juta pada tahun 2013 di mana ia adalah 87.72% dan 73.26% daripada perolehan dan keuntungan operasi Kumpulan.

Bahagian Insurans berhasrat untuk meningkatkan keberkesanan operasi, mengembangkan bahagian pasarannya menerusi pertumbuhan organik dari saluran perniagaan melalui strategi perniagaan pelbagai hala, penggunaan pelbagai cara pengedaran yang sedia ada dan pembangunan saluran-saluran alternatif serta pengukuhan tenaga agensi mereka. Pengenalan produk-produk baru yang inovatif atau yang telah dipertingkatkan demi menembusi segmen pasaran yang luas dan pelbagai akan membantu dalam menubuhkan kedudukan Bahagian yang kukuh di dalam industri.

Dengan adanya kepakaran dalam kumpulan Insurans, adalah diharapkan bahawa prestasi perniagaan Insurans akan membawa Kumpulan ke tahap yang baru dari segi keuntungan, kestabilan dan pertumbuhan pada masa hadapan.

b) Perniagaan Kredit dan Pelaburan

Perniagaan Kredit telah menyumbang sebanyak RM6.34 juta kepada keuntungan operasi Kumpulan.

Pelaburan yang berkaitan dengan operasi hotel, pelaburan hartanah dan usaha sama telah menyumbang sebanyak RM29.06 juta dan RM10.06 juta kepada perolehan dan keuntungan operasi Kumpulan. Hotel-hotel berhasrat untuk mengekalkan semangat daya saing dengan memberi penekanan yang lebih kepada

PENYATA Pengerusi (sambungan)

perkhidmatan pelanggan yang lebih baik dan mengadakan aktiviti promosi untuk mengekalkan pelanggan yang sedia ada serta menarik perhatian tetamu yang baru. Bagi pelaburan hartanah pula, Kumpulan akan terus menaksir dan menilai semula semua pilihan yang berdaya maju untuk mengoptimumkan pulangan kepada pemegang saham sama ada melalui usaha sama dengan rakan kongsi yang bereputasi atau penjualan apabila menemui harga dan masa yang tepat.

Salah sebuah anak syarikat kami, Multi-Purpose Shipping Corporation Berhad telah menyempurnakan pelupusan 7 bidang tanah seperti yang dinyatakan dalam Nota 34(b).

TINJAUAN DAN PROSPEK MASA HADAPAN

Ekonomi Malaysia dijangka akan kekal stabil kerana ia adalah terdorong kepada rangsangan domestik terutamanya aktiviti-aktiviti tempatan dan swasta dan pertumbuhan Keluaran Dalam Negara Kasar dijangka akan berada pada paras 5%-5.5% pada tahun 2014.

Kumpulan akan terus memberi tumpuan kepada aktiviti-aktiviti terasnya dan menggubal dasar untuk mengukuh dan membina perniagaannya demi kestabilan dan pulangan jangka panjang.

TADBIR URUS

Kumpulan adalah komited kepada piawaian tertentu dalam tadbir urus korporat kerana ia merupakan sebahagian yang penting dalam menjadi entiti korporat yang bertanggungjawab. Sejak penyenaian di Bursa, kami telah mula merangka tadbir urus kerja dan proses-prosesnya.

PEMBANGUNAN KORPORAT

Pada 22 Januari 2014, Syarikat telah mengumumkan bahawa Bank Negara Malaysia ("BNM") tidak membantah untuk Syarikat memulakan rundingan awal dengan pihak yang berkepentingan mengenai perikatan strategik dengan perniagaan Kumpulan Insurans, di mana ia boleh mengakibatkan pelupusan kepentingan minoriti dalam perniagaan.

PENGHARGAAN DAN PENGIKTIRAFAN

Saya berasa kagum dengan kekuatan ahli Lembaga Pengarah serta komitmen, kualiti dan kerjasama daripada ahli kumpulan kami. Terima kasih di atas dedikasi, kepakaran dan kerja keras anda yang mendorong kepada hasil yang telah dicapai oleh Kumpulan.

Kumpulan kami amat berterima kasih atas sokongan daripada pelanggan yang dihormati, bank-bank, rakan perniagaan dan para pemegang saham atas keyakinan dan kepercayaan anda terhadap kami.

TAN SRI DATO' DR YAHYA BIN AWANG
Pengerusi

23 APRIL 2014



主席献词

各位先生女士，

在此本人非常荣兴地代表公司呈报本集团和公司上市后截至2013年12月31日为止的首个年度报告和经审计财务账目。

今年是值得纪念的一年，因为我们见证了公司于2013年6月28日，将7亿1千5百万零吉的缴足资本以每股现金1零吉的7亿1千5百万股份成功在马来西亚证券交易所主板进行上市。

在董事经理丹斯里拿督刘锦坤的英明领导领航之下，配合董事局成员及管理层要员的支持及奉献，集团及公司各取得各为4千6百87万零吉以及3千7百87万零吉的年度盈利。

业务表现

在充满挑战的经济环境下，公司依然取得2亿4千5百97万零吉的总营业额。主要的营业额是源自于保险业务。在2013年，保险业务取得2亿1千5百77万零吉的营业额，为总营业额的87.72巴仙。余下总营业额的12.28巴仙则来自信贷与投资业务。

在2013年，本集团共取得6千1百32万零吉的业务盈利。高营业额的保险业务为公司取得4千4百92万零吉的业务盈利，而信贷与投资业务则取得1千6百40万零吉的业务盈利。

本集团今年的业务每股盈利为8.90仙。

营运回顾

a) 保险业务

保险业务在2013年的营业额及业务盈利为2亿1千5百77万零吉及4千4百92万零吉，各占总营业额及总业务盈利的87.72巴仙以及73.26巴仙。

保险部门将采取各种积极方案来提高营运效率以及扩大市场份额。其中包括利用多种策略来发展并增强代理及经纪们的组织能力。此外，有关部门将大力推广全新的保险产品和改良现有保险产品，扩大客户来源和市场分类，以便在保险业中建立稳固的一席之地。

有鉴于此，本着保险团队精英的专业知识和水平，保险业务的业绩盈利和稳定发展预料将为本集团掀开崭新的一页。

b) 信贷与投资业务

在2013年，信贷业务为本集团取得6百34万零吉的业务盈利。

投资业务包括酒店管理、产业投资和联营投资。投资业务取得2千9百零6万零吉的营业额以及1千零6万零吉的业务盈利。酒店管理将以更良好的客户服务及促销活动为主要目标，以获得现有顾客的长期支持并同时招揽新的顾客群。在业务投资方面，产业部将在适当时机与联营伙伴发展产业或进行脱售产业来兑现股东们的投资价值。

此外本集团的子公司，Multi-Purpose Shipping Corporation Berhad已出售7幅土地。详细资料请翻阅Note 34 (b)。

主席献词 (延续)

市场前景及展望

国内需求是主要的经济成长驱动力，而2014年的国内生产总值成长率将预定为5至5.5巴仙。因此，马来西亚的经济有望保持相对稳定。

本集团将把重心放在主要业务方面，以更好的策略让整体的业绩能稳定增长。

企业治理

本集团尊旨有关的企业治理条规，并且遵照和执行马来西亚证券交易所的法规。

企业发展

在2014年1月22日，本公司对外宣布马来西亚国家银行（国行）原则上不反对本公司与有关当事人就本集团保险业务的战略联盟进行初步磋商，而这项行动基本上会导致少数股东权益出售的可能性。

致诚感谢

对于董事局，管理团队及员工所付出的贡献与合作、所体现的专业及团队精神，我感到非常感动。我由衷地感谢大家，因为你们的奉献、专业与辛劳，让公司业绩获得稳定的成长。最后，本人特别对于尊贵的客户、银行及商业伙伴和股东们所给予的信任和支持，致以崇高的谢意。

主席：TAN SRI DATO' DR YAHYA BIN AWANG

2014年 4月 23日



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Group, as a socially responsible corporate citizen, is committed to continuously develop and implement corporate social responsibility (“CSR”) initiatives as part of its efforts to create business sustainability and enhance the value of shareholders and other stakeholders.

THE COMMUNITY

- **Social/Community Welfare And Charity Programme**

During the year 2013, the Group had participated in various CSR initiatives to provide financial assistance to the needy, the underprivileged and the less fortunate which include donations to Persatuan Kanak-Kanak Istimewa Hulu Langat, Pertubuhan Kebajikan Anak Yatim Malaysia (PEYATIM) and Yayasan Sunbeams Home.

As part of its social welfare initiatives, the Group had on 6 December 2013 launched “The Project Good Deed Shoes” where a total of 254 clean, wearable and pre-loved sports shoes were collected and donated to the Orang Asli/Indigenous communities in Selangor.

- **Recreational/Sports Programme**

In conjunction with the MPIB Run for 2014, the Group had in 2013 organised the “My First Run Clinic” for new and seasoned runners in preparation for the run. The concept of “My First Run Clinic” is to help individuals to take up running as a sustainable healthy recreational activity and to inculcate a healthy work life balance lifestyle.

THE WORKPLACE

Besides providing its employees with a safe, healthy and conducive working environment, the Group is committed to ensuring that its employees are offered fair remuneration terms and they are given equal opportunities for career progression based on merit. The benefits provided for employees include medical and healthcare insurance coverage, personal accident coverage, housing loan interest subsidy and staff retirement scheme. Sports and interactive activities as well as subsidised overseas trips were organised for employees to foster closer working relationship and teamwork.

The Group values its employees and places great emphasis on human resource development. During the year under review, the Group had provided staff with trainings, seminars and workshops that focused on employees’ career development and enhancement of employees’ technical skill and competency which includes leadership development programmes such as Executive Development Programme and Young Managers Development Programme.

As part its efforts towards employees’ sustainability, the Group had embarked on a programme to sponsor employees to enrol in the Associateship of the Malaysian Insurance Institute (“AMII”) and Diploma of the Malaysian Insurance Institute (“DMII”) Examinations to create and retain caliber and qualified employees. Employees in these programmes are provided with benefits such as study leave and examination leave. The Group had also given out cash award as incentives for employees who had passed their examinations.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (cont'd)

THE ENVIRONMENT

Conscious of the need to conserve resources and preserve the environment, the Group had made efforts to cultivate its staff with the habit of “reduce, reuse and recycle”. These include minimising energy consumption, recycling paper waste, printing double-sided, communicating via e-mails and using environmentally friendly products.

THE MARKETPLACE

The Group continued to have regular get-together and social events with its business partners to build up a rapport with its business partners. Steps were also taken to provide assistance, technical support, training and to promote ethical business practices to the business partners to ensure that they continue to provide excellent customer service.



CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of MPH Capital Berhad (“the Company” or “MPH Capital”) is committed to ensuring that good corporate governance are practised throughout the Group as fundamental part of discharging its responsibilities to protect the interest of all stakeholders, enhance shareholders’ value and for long-term sustainable business growth.

This statement outlines the key aspects of how the Group has applied the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 (“the Code”).

1. ROLES AND RESPONSIBILITIES

1.1 Board Charter

The Board recognises the important role it plays in charting the strategic direction, managing the business and affairs of the Group including ensuring compliance with the Group’s corporate governance objectives.

The duties and responsibilities of the Board are clearly set out in the Board Charter as follows:

- (a) Reviewing, approving and monitoring the Group’s overall strategic and financial plans;
- (b) Overseeing the Group’s business operations and financial performance to ensure that the businesses are being properly managed. This includes ensuring the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard its assets;
- (c) Establishing the Group’s corporate values, vision and mission, including governance systems and processes in line with the principles of good corporate governance;
- (d) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures to manage risks;
- (e) Reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines;
- (f) Overseeing the development and implementation of policies and/or programmes for effective communication with shareholders and/or investors;
- (g) Considering emerging issues which may be material to the Group’s business and affairs and ensure that the Group has proper succession plan for senior management.

The Chairman of the Board, Tan Sri Dato’ Dr Yahya bin Awang, is an Independent Non-Executive Director. The directors holding executive office are Tan Sri Dato’ Surin Upatkoorn, the Managing Director, and Mr Ng Kok Cheang and Ms Iwevei Upatkoorn, the Executive Directors.

There is a clear segregation of responsibilities between the Chairman, the Managing Director and the Executive Directors to ensure an appropriate balance of power, authority and accountability at the Board level. The Chairman of the Board provides overall leadership to the Board in decision making and is responsible for the orderly conduct of the Board such that no one individual has unfettered powers of decision.

The Managing Director and the Executive Directors are responsible for the day-to-day management of the Group’s business operations and implementation of decisions of the Board. Non-Executive Directors play a key supporting role, contributing their knowledge and experience in the decision-making process and towards the formulation of the Company’s goals and policies.

The Board Charter is available on the Company’s corporate website at www.mphbcap.com.my. The Board Charter will be periodically reviewed, as and when necessary.

1.2 Board Committees

The Board has established three (3) Board Committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee to assist the Board in the discharge of its duties and responsibilities.

The Board Committees deliberate in greater details and examine the issues within its terms of reference as set out by the Board and make the necessary recommendations to the Board which retains full responsibility.

1.3 Promoting Ethical Standards

The Board has formally adopted a Directors' Code of Business Conduct and Ethics which requires directors to uphold good business ethics and conduct in their performance of their duties, business dealings and all aspects of the Group's business.

During the year, the Group had also put in place a Whistle Blowing Policy which serves as a guide for employees to report or raise any genuine concerns about possible improprieties in matters of financial reporting, unethical behaviour, non-compliance with regulatory requirements and other malpractices.

1.4 Strategies Promoting Sustainability

The Group aims to promote sustainable growth in every aspects of the Group's business through constant review of its business strategies to create greater customer awareness, to provide better and more innovative products and to pursue excellent services to sustain its competitive edge. At workplace, the Group is committed to promote staff welfare through the provision of attractive remuneration and fringe benefits, a safe and healthy working environment as well as skill and competency development for staff.

1.5 Access to Information and Advice

The Board receives update by the Management on the Group's operations and performance and the status of implementation of the strategic plans during the Board Meetings. Notice of meetings, setting out the agenda and accompanied by the relevant Board papers are given to the Directors prior to each Board Meeting in sufficient time to enable the Directors to peruse, obtain additional information and/or seek further clarification on the matters to be deliberated.

The Board's rights to information and access to independent advice are entrenched in the Board Charter. The Board has direct access to the Management, including the advice and services of the Company Secretary, and has full and unrestricted access to information in relation to the Group's business and affairs. The Directors may, in their discharge of their duties, request to be furnished with additional information or clarification on complex/technical issues. The Directors are at liberty to seek independent professional advice at the Company's expense, if necessary, after consultation with the Chairman and the rest of the Board members.

The Board is regularly updated by the Company Secretary on the new statutory/regulatory requirements required to be observed by the Directors and/or the Company. The Company Secretary attends all Board Meetings and ensures that records of the proceedings of the Board meetings are properly kept. The Company also serves notice to the Directors and principal officers to notify them of the closed periods for dealing in the Company's shares pursuant to provisions of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Listing Requirements").

2. STRENGTHEN COMPOSITION

2.1 Board Composition

The Board, as at the date of this statement, has six(6) members, comprising a Non-Executive Chairman, a Managing Director, two(2) Executive Directors and two(2) Non-Executive Directors, total of whom two (2) are Independent Non-Executive Directors. The Board is satisfied that the number of independent directors, which represents one-third of the Board, fulfils the Listing Requirements and is sufficient to fairly reflect the investment of the minority shareholders.

The size and composition of the Board are adequate to provide for a diversity of views and to facilitate effective decision making. The directors are from diverse backgrounds with expertise and skills in the areas of medicine, business management, property development, property management, project management, corporate affairs, banking, stockbroking, finance, accounting, corporate finance/advisory and system consulting. A brief profile of each Director is set out in this Annual Report.

The appointment of Ms Iwevei Upatkoon as Executive Director on 20 February 2014 reflects that the Board recognises the value of a lady member on the Board and was an initial step taken by the Board towards achieving a more gender diversified Board.

2.2 Nomination Committee

The Nomination Committee comprises the following non-executive directors, the majority of whom are independent directors:-

Tan Sri Dato' Dr Yahya bin Awang (Independent Non-Executive Director)	-	Chairman
Dato' Lim Tiong Chin (Non-Independent Non-Executive Director)	-	Member
Mr Kuah Hun Liang (Independent Non-Executive Director)	-	Member

The Nomination Committee is primarily responsible for the following:-

- (i) To consider, evaluate and recommend suitable candidates for appointment to the Board.
- (ii) To assess the performance and effectiveness of the Board as a whole, Board Committees, as well as each individual Director, on an annual basis. The assessment includes assessment of independence of independent directors.
- (iii) To oversee the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies.

The Nomination Committee met once during the year 2013, which was attended by all members.

The Nomination Committee has undertaken the following activities during the second half of 2013:-

- (a) Established the forms and criteria for assessment of the performance of the Board and individual directors as well as the criteria for the assessment of the independent directors.
- (b) Established the board nomination and election process of directors and criteria used by the nomination committee in the selection process.

- (c) Assessed the training needs of each directors for 2013.

The following annual assessment/review in respect of 2013 was undertaken by the Nomination Committee in 2014:-

- (i) Assessment of the Board's effectiveness as a whole.
- (ii) Assessment of the performance assessment of each individual Director.
- (iii) Review the overall composition of the Board in terms of the appropriate size, mix of skills, experience, core competencies and board balance.
- (iv) Review of the independence of its independent directors.

The criteria for the assessment of the Board's performance cover specific areas such as board conduct, board processes, board accountability, board governance, succession planning and interaction with management and stakeholders. For individual self-assessment, the assessment criteria include integrity, commitment, leadership, knowledge and communication ability. As for independent directors, the criteria for assessing the independent directors include the relationship between the independent director and the Company and his involvement in any significant transaction with the Company.

2.3 Appointment of Directors

The Nomination Committee has put in place the following process for selection or nomination of suitable candidates to be appointed as directors:-

- Stage 1 : Identification of candidates
- Stage 2 : Meeting up with the candidates (where feasible)
- Stage 3 : Evaluation of suitability of candidates
- Stage 4 : Final deliberation by the Nomination Committee
- Stage 5 : Recommendation to the Board

The Nomination Committee considers, among others, the following criteria in making recommendations to the Board on suitable candidates for appointment as Directors:-

- (a) Whether the candidate have key qualities such as honesty, personal/financial integrity, diligence and professionalism.
- (b) Whether the candidate possesses the necessary qualification, training, skills, expertise, practical experience and ability to understand the technical requirements of the business, the inherent risks and the management process required to perform his role as a director of the Company effectively.
- (c) Whether the candidate has the commitment to effectively fulfill the role and responsibilities as a director, having regard to his existing directorships and other commitments.
- (d) Whether the candidate is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.
- (e) Whether the candidate complies with provisions of the Listing Requirements governing the directors of listed issuer.

The proposed appointment of a new director to the Board will be approved by full Board based on the recommendation of the Nomination Committee.

CORPORATE GOVERNANCE STATEMENT (cont'd)

2.4 Remuneration Committee

The Remuneration Committee consists of the following directors, the majority of whom are Independent Non-Executive Directors:-

Tan Sri Dato' Dr Yahya bin Awang (Independent Non-Executive Director)	-	Chairman
Tan Sri Dato' Surin Upatkoon (Non-Independent Managing Director)	-	Member
Mr Kuah Hun Liang (Independent Non-Executive Director)	-	Member

The Remuneration Committee is primarily responsible for the formulation of remuneration policy such as rewards and benefits and other terms of employment of the Managing Director and Executive Directors as well as for the Senior Management and staff. The Remuneration Committee held one (1) meeting during the year, which was attended by all members.

2.5 Remuneration of Directors

The Company believes that the levels of directors' remuneration must be sufficient to attract, retain and motivate directors of the necessary calibre, expertise and experience to lead and manage the Group effectively. The remuneration of the Managing Director and Executive Directors are linked to the corporate and individual performance. The directors' fees payable to directors are endorsed by the Board based on the recommendation of the Remuneration Committee and shall be tabled for the approval of shareholders at the forthcoming annual general meeting of the Company. The quantum of fixed fee takes into consideration of the directors' increased fiduciary duties and responsibilities, accountability to shareholders, memberships in Board Committees and performance and scope of business of the Group.

The aggregate remuneration of Directors of the Company in respect of the financial year ended 31 December 2013 categorised into appropriate components is as follows:-

Directors of the Company	Number of Directors			
	2013		2012	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM0 to RM50,000	-	1	-	-
RM50,001 to RM100,000	-	2	-	-
RM350,001 to RM400,000	1	-	-	-
RM800,001 to RM850,000	1	-	-	-

CORPORATE GOVERNANCE STATEMENT (cont'd)

3. REINFORCE INDEPENDENCE

The Independent Directors play a pivotal role in corporate accountability and provide unbiased and independent views and judgement to the Board's deliberation and decision making as well as in safeguarding the interest of minority shareholders. The concept of independence adopted by the Board is in accordance with the definition in paragraph 1.01 of the Listing Requirements. For the financial year under review, the two(2) Independent Non-Executive Directors have affirmed their independence based on the criteria of Independent Directors adopted by the Company.

The Nomination Committee has, upon the annual assessment in 2014, concluded that the two(2) Independent Non-Executive Directors of the Company have continued to be independent, and they have demonstrated that they have exercised unbiased and independent judgement in the discharge of their duties as Independent Directors. None of the independent directors had any business or other relationship which could materially interfere with their exercise of independent judgement, objectivity or the ability to act in the best interest of the Company.

During the year 2013, the Board has adopted the Code's recommendation that the tenure of service of an independent director of the Company shall not exceed a cumulative term of nine (9) years.

4. FOSTER COMMITMENT

4.1 Time Commitment and Board Meetings

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors. All the board members comply with the restriction on the number of directorships in public listed companies as prescribed under the Listing Requirements. Directors are required to notify the Board for accepting any new appointment as director in other companies. These would ensure that the Directors' commitment and time are focused on the affairs of the Group to enable them to discharge their duties effectively.

During the year 2013, two(2) Board Meetings were held where the Board had deliberated and considered various issues including the Group's performance, business strategies and quarterly financial results. The Board also reviewed the adequacy of the Group's internal control system, identified and addressed principal risks in the Group through the Audit Committee. The Board takes note of the decisions and salient issues deliberated by the Audit Committee through minutes of the Audit Committee meetings tabled at the Board Meetings. The Chairman of the Audit Committee would inform the Directors at Board Meetings, of any salient matters noted by the Audit Committee and which require the Board's attention or direction.

The details of attendance of the Directors at the Board Meetings held in 2013 are set out below:-

Name of Directors	Total Number of Board Meetings Held in 2013*	Total Number of Board Meetings Attended in 2013
Tan Sri Dato' Dr Yahya bin Awang	2	2
Tan Sri Dato' Surin Upatkoon	2	2
Mr Ng Kok Cheang	2	2
Dato' Lim Tiong Chin	2	2
Mr Kuah Hun Liang	2	2
Ms Ivevei Upatkoon (Appointed on 20 February 2014)	-	-

Note: * Board Meetings held after the Company's listing on the Main Market of Bursa Malaysia Securities Berhad on 28 June 2013.



CORPORATE GOVERNANCE STATEMENT (cont'd)

The Board Meetings' dates are planned ahead of schedule and a commitment is obtained from the Directors on their availability to attend the Board Meetings.

4.2 Training

The Board recognises the importance of continuing training and education for its members to ensure they are equipped with the necessary skills and knowledge on changes in both the regulatory and business environments as well as with new developments within the industry in which the Group operates.

During the financial year 2013, the Directors have attended the following training programmes or seminars:-

Directors	Title of Training
Tan Sri Dato' Dr Yahya bin Awang	<ul style="list-style-type: none">Financial Institutions Directors' Education Programme by The Iclif Leadership and Governance CentreTraining on Malaysian Financial Reporting Standards ("MFRS") 10, 11 and 12, Interpretation 15 Agreements for the Constructions of Real Estate ("IC 15") and updates on Goods and Services Tax by Messrs Ernst & Young ("EY").
Tan Sri Dato' Surin Upatkoorn	<ul style="list-style-type: none">Training on MFRS 10, 11 and 12, IC 15 and updates on Goods and Services Tax by EY
Mr Ng Kok Cheang	<ul style="list-style-type: none">Training on MFRS 10, 11 and 12, IC 15 and updates on Goods and Services Tax by EY
Dato' Lim Tiong Chin	<ul style="list-style-type: none">Training on MFRS 10, 11 and 12, IC 15 and updates on Goods and Services Tax by EY
Mr Kuah Hun Liang	<ul style="list-style-type: none">Managing Asia Competitive LandscapePWC Board Agenda SeriesDialogue on Financial Services Act and Islamic Financial Services Act by Bank Negara MalaysiaSuccess on corporate banking by EYThe future banking by Dr FlemingManaging talents at Board and Management by Professor Dave UlrichTraining on MFRS 10, 11 and 12, IC 15 and updates on Goods and Services Tax by EY

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Financial Reporting

The Board upholds the integrity in financial reporting by ensuring that shareholders are provided with a balanced, clear and reliable assessment of the financial performance and prospects of the Group in the interim financial statements and annual financial statements.

The Audit Committee is entrusted with the responsibility of reviewing the integrity and reliability of the Group's interim and annual financial statements as well as ensuring that these financial statements comply with the relevant accounting and regulatory requirements prior to recommending for the Board's approval. The Audit Committee also reviews the appropriateness of the Group's accounting policies and the changes to these policies.

The details of the composition, terms of reference and activities of the Audit Committee during the year are set out in the Audit Committee Report in this Annual Report.

5.2 Relationship with External Auditors

The Audit Committee maintains a formal and transparent relationship with external auditors. To ensure independence and objectivity, the Audit Committee had met with external auditors once without the presence of the Management in 2014 to discuss the Group's audited financial statements for the year ended 31 December 2013 and any matters arising from the audit. The external auditors have also given a written assurance to the Audit Committee in relation to the audit of the Group's audited financial statements that they were independent in accordance with the By-laws of the Malaysian Institute of Accountants.

The Audit Committee had in 2014 assessed the performance and independence of the external auditors of the Company based on criteria approved by the Board. The Audit Committee, has upon its assessment, was satisfied with EY's performance, technical competence and audit independence.

6. RECOGNISE AND MANAGE RISK

6.1 Risk Management and Internal Controls

The Board has the overall responsibility of establishing a sound system of internal control and in determining the Group's level of risk tolerance as well as to continuously identify, assess and monitor principal risks faced by the Group to safeguard shareholders' investments and the Group's assets.

The Board is assisted by the Audit Committee to periodically review the effectiveness of the risk management processes and the system of internal controls of the Group. The review covers the financial, operational, compliance controls and risk assessment including ensuring that adequate infrastructure, resources and systems are in place for effective risk management of the Group.

The Statement of Risk Management and Internal Control, which provides an overview of the state of risk management and internal control within the Group, is set out in the Annual Report.

6.2 Internal Audit Function

The Company has established a Group Internal Audit Department ("GIAD") to assist the Board in maintaining a sound system of risk management and internal control. Formal procedures are in place for the GIAD to report independently to the Audit Committee on their audit findings and the rectification steps taken by the Management. The frequency of audit on each business or operational units was determined by the level of risk assessed and greater focus is set for higher risk areas.



CORPORATE GOVERNANCE STATEMENT (cont'd)

The Audit Committee is satisfied that the GIAD has an appropriate standing within the Group to perform its function effectively. The Head of GIAD is an associate member of the Chartered Institute of Management Accountants and Institute of Internal Auditors. The GIAD carries out its audit activities in accordance with the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors Malaysia.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognises the importance of providing investors and shareholders with timely and accurate information on the Group's major developments through disclosures and/or announcements made to Bursa Malaysia Securities Berhad ("Bursa Securities"). The Group announces its performance to Bursa Securities on a quarterly basis and the Annual Report is issued on an annual basis to provide shareholders and investors with information on the Group's business review, financial performance and governance framework. The Company has established a website, www.mphbcap.com.my, which the shareholders and members of the public can access for corporate information and new events relating to the Group.

The Group employs best efforts to ensure that no disclosure of material information is made on a selective basis to any parties unless such information has been previously been disclosed and announced to Bursa Securities. The Board has adopted an internal Corporate Disclosure Policy to facilitate the proper handling of confidential and/or material information to avoid leakage and improper use of such information. The policy clearly sets out the levels of authority to be accorded to designated persons for approving, verifying and disclosing material information to shareholders and stakeholders to ensure compliance with the Listing Requirements.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Annual General Meeting

The Board regards the Annual General Meeting ("AGM") as the principal forum for dialogues and interactions with the shareholders of the Company. At the forthcoming AGM, shareholders will be accorded the opportunity and time to enquire on the resolutions being proposed at the AGM and on matters relating to the operations and affairs of the Group. The Board members, Senior Management of the Company as well as the Auditors of the Company will be in attendance to provide clarifications to shareholders' queries.

8.2 Investors' Relations

The Company had, from time to time, held meetings and dialogues with investors and research/investment analysts to convey information regarding the Group's performance, corporate developments and business strategies. Press interviews were also conducted on significant corporate developments to keep the investing community and shareholders updated on the progress and developments of the business of the Group.

The Board has identified and appointed Tan Sri Dato' Dr Yahya bin Awang, the Chairman of the Board, to whom shareholders may direct any concerns in respect of the Group.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has complied substantially with the principles and recommendations of the Code.

This Corporate Governance Statement was approved by the Board on 23 April 2014.

ADDITIONAL CORPORATE DISCLOSURES

1. Utilisation of Proceeds

During the financial year ended 31 December 2013, there were no corporate proposals in which proceeds had been raised.

2. Share Buy-Back

The Company did not propose/undertake any share buy-back during the financial year ended 31 December 2013.

3. Options or Convertible Securities

The Company did not issue any options and convertible securities during the financial year ended 31 December 2013.

4. Depository Receipt Programme

The Company did not sponsor any Depository Receipt programme during the financial year ended 31 December 2013.

5. Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory authorities during the financial year ended 31 December 2013.

6. Non-Audit Fees

During the financial year ended 31 December 2013, the following non-audit fees were paid to the Group's external auditors, Messrs Ernst & Young ("EY"):-

Non-audit services rendered by EY	Subsidiaries (RM)	Company (RM)
(a) Professional fees rendered in relation to the training on Malaysian Financial Reporting Standards, and Goods and Services Tax	1,676	9,499

7. Variation in Results

There were no variances of 10% or more between the audited results for the financial year ended 31 December 2013 and the unaudited results previously announced.

8. Profit Guarantee

There was no profit guarantee received by the Company during the financial year ended 31 December 2013.

9. Material Contracts Involving Directors' and Major Shareholders' Interest

Save as disclosed in the Audited Financial Statements of the Group and the Company for the year ended 31 December 2013, none of the Directors and Major Shareholders of the Company have any material contracts with the Company and/or its subsidiaries.



DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Malaysian Companies Act 1965 ("CA") to prepare the financial statements for each financial year which have been drawn up in accordance with the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the CA and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year, and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:-

- adopted and applied appropriate accounting policies and practices consistently;
- made judgements and estimates that are based on reasonableness and prudence; and
- prepared the financial statements on a going concern basis.

The Directors have ensured that the Group and the Company keep proper accounting records to enable the preparation of the financial statements with reasonable accuracy.

The Directors have an overall responsibility for taking reasonable steps to safeguard the assets of the Group and the Company to detect and prevent fraud and other irregularities.

AUDIT COMMITTEE REPORT

CONSTITUTION

The Audit Committee was constituted by the Board on 1 August 2012.

MEMBERSHIP

The composition of the Audit Committee and the attendance of the Audit Committee members during the financial year ended 31 December 2013, where a total of two(2) meetings were held, are as follows:-

Name	Designation/Directorship	Number of Meetings Attended
Mr Kuah Hun Liang	Chairman/Independent Non-Executive Director	2/2
Tan Sri Dato' Dr Yahya bin Awang	Member/Independent Non-Executive Director	2/2
Dato' Lim Tiong Chin	Member/Non-Independent Non-Executive Director	2/2

The composition of the Audit Committee complies with Paragraph 15.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Audit Committee Meetings were appropriately structured through the use of agenda, which were distributed to members prior to the meeting.

The Managing Director, the Chief Operating Officer, the Head of Finance, the Head of Group Internal Audit and the Company Secretary were present by invitation at all the meetings. Representatives of the external auditors, Messrs Ernst & Young were present as and when invited.

TERMS OF REFERENCE

COMPOSITION

- The Audit Committee shall be appointed by the Directors from amongst their members (pursuant to a resolution of the Board of Directors) which fulfills the requirements as prescribed under Paragraph 15.09 of the MMLR and paragraph 7.0 of Practice Note 13 of the MMLR.
- No alternate director shall be appointed as a member of the Audit Committee.
- Any vacancy, which affects the composition, must be filled within three (3) months.
- The members of the Audit Committee shall elect a Chairman, from among their members, who shall be an Independent Non-Executive Director.
- The Company Secretary of MPHB Capital shall serve as Secretary of the Audit Committee ("Secretary").
- The Board of Directors shall review the term of office and performance of the Audit Committee and each member no less than once in every three (3) years.



AUDIT COMMITTEE REPORT (cont'd)

MEETINGS AND REPORTING PROCEDURES

- (a) The Audit Committee shall meet not less than four (4) times a year, with each meeting planned to coincide with key dates in the Company's financial reporting cycle. The majority of Audit Committee members present must be Independent Directors to form a quorum to the meeting.
- (b) The Audit Committee shall meet with the external auditors without the presence of Executive Board members and employees of the Company, whenever deemed necessary.
- (c) The Secretary is responsible for :-
 - (i) drawing up the agenda together with the Chairman, and circulating it, supported by explanatory documentation, to the committee members prior to each meeting;
 - (ii) recording attendance of all members and invitees;
 - (iii) recording all proceedings, and preparing and keeping minutes of all meetings; and
 - (iv) circulation of the minutes to all Board members at each Board Meeting.
- (d) The Head of Finance and the Head of Group Internal Audit should normally attend meetings upon invitation of the Audit Committee. Other Directors, employees and representatives of the external auditors shall attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

AUTHORITY

The Audit Committee shall have the authority to:

- (a) investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) obtain independent professional advice it considers necessary;
- (f) convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary;
- (g) report promptly any breaches of the MMLR, which have not been satisfactorily resolved by the Board, to the Bursa Securities; and
- (h) convene a meeting, upon request of the external auditors, to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

AUDIT COMMITTEE REPORT (cont'd)

FUNCTIONS

The Audit Committee shall undertake the following responsibilities and duties and report to the Board of Directors:

- (a) Review the quarterly results and year-end financial statements, prior to the approval of the Board of Directors, focusing particularly on:
 - (i) changes in or implementation of major accounting policies and practices;
 - (ii) significant and unusual events;
 - (iii) going concern assumptions; and
 - (iv) compliance with accounting standards, regulatory and other legal requirements.
- (b) Review/recommend the nomination, appointment, re-appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board; and evaluate if there is reason (supported by facts) to believe that the Company's external auditors are not suitable for re-appointment.
- (c) Review/discuss with the external auditors:
 - (i) the audit scope and plan, and ensure co-ordination where more than one audit firm is involved;
 - (ii) its evaluations of the system of internal control;
 - (iii) the results of the interim (if any) and final audits and the Management's response thereto;
 - (iv) problems and reservations arising from the interim (if any) and final audits, and any matter the auditors may wish to discuss (in the absence of the management, where necessary);
 - (v) the assistance given by the employees to the external auditors, and any difficulties encountered in the course of the audit work.
- (d) Establish an internal audit function which is independent of the activities it audits and oversee its function as follows:
 - (i) the Head of Internal Audit shall report directly to the Audit Committee;
 - (ii) review the adequacy of the internal audit scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (iii) review the internal audit department's progress of audit activities, the results of the internal audit activities or investigation undertaken, and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (iv) determine the remit of the internal audit function;
 - (v) review any appraisal or assessment of the performance of members of the internal audit function;
 - (vi) approve any appointment, transfer or termination of senior staff members of the internal audit function and take cognizance of resignation and providing the resigning members an opportunity to submit reasons for resigning.



AUDIT COMMITTEE REPORT (cont'd)

- (e) Review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raise questions of management integrity.
- (f) Direct, and where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- (g) Carry out any such other functions as authorised by the Board of Directors.

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

During the financial year and up to the date of this report, the Audit Committee had carried out its duties in accordance with its Terms of Reference.

The activities undertaken by the Audit Committee were as follows:

- (a) Reviewed the unaudited quarterly financial results before recommending to the Board for their approval and subsequent release of the results to Bursa Securities.
- (b) Reviewed with the external auditors on the annual audited financial statements of the Group to ensure that compliance with applicable approved accounting standards and legal requirements were met before recommending to the Board for their approval. Any significant audit findings and accounting issues were deliberated at the Audit Committee Meeting.
- (c) Reviewed the Audit Planning Memorandum of the external auditors, in terms of the nature of the audit procedures, significant accounting and auditing issues, impact of new or proposed changes in the accounting standards and regulatory requirements for the financial year 2013.
- (d) Reviewed and approved the Group Internal Audit Department's ("GIAD") Annual Audit Plan in ensuring that adequate scope and comprehensive coverage on the audit activities and principal risk areas are adequately identified and covered.
- (e) Reviewed the adequacy of staff and resources within the GIAD to ensure satisfactory performance of GIAD.
- (f) Met with the external auditors without the presence of any Executive Board members and Management, to discuss issues arising from the final audits, or any other matters the auditors may wish to discuss, including the level of assistance provided by the Group's employees to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- (g) Reviewed the independence, objectivity, effectiveness and terms of engagement of the external auditors.
- (h) Reviewed the GIAD's progress of audit activities and the internal audit reports of the Group, which highlighted issues, recommendations and Management's responses to ensure appropriate actions were taken to improve the system of internal controls based on improvement opportunities identified in the internal audit reports.
- (i) Reviewed with the external auditors on the Statement on Risk Management and Internal Control for inclusion in the annual report prior to Board's approval.
- (j) Reviewed the Audit Committee Report for inclusion in the annual report prior to Board's approval.

AUDIT COMMITTEE REPORT (cont'd)

SUMMARY OF ACTIVITIES OF INTERNAL AUDIT FUNCTION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

During the financial year ended 31 December 2013, the Internal Audit Department carried out the following activities:-

- (a) Prepared the annual audit plan for the review and approval of the Audit Committee. The annual audit plan was prepared using a risk-based methodology, including input from the Chairman of Audit Committee and Senior Management.
- (b) Regularly performed risk based audits, which covered reviews of the internal control system, risk management, accounting and management information system.
- (c) Issued audit reports to the Audit Committee and Management identifying weaknesses and issues as well as highlighting recommendations for improvements.

The costs incurred for the internal audit function of the Group for financial year ended 31 December 2013 was RM50,000.

This Audit Committee Report was approved by the Board on 23 April 2014.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Responsibility

The Board of Directors (“Board”) recognises the importance of maintaining a sound internal control system and a robust risk management framework for good corporate governance; with the objective of safeguarding the shareholders’ investment, the interest of customers, regulators and the Group’s assets. The Board affirms its overall responsibility for reviewing the adequacy and the effectiveness of the Group’s risk management and internal control system. This includes reviewing the adequacy and integrity of financial, operational and compliance controls and risk management procedures.

The Management assists the Board in the implementation of the Board’s policies and procedures on risk and control by identifying, assessing, monitoring and reporting risks and internal control; as well as taking proper actions to address the risks.

The Board has received assurance from the Managing Director and Head of Finance & Administration that the Group’s risk management and internal control systems have operated adequately during the year under review, in all material aspects. The assurance has been given based on the internal audit function, management letters provided by external auditors, reviews performed by management and various Board Committees as well as reliance on confirmations by management.

However, it should be noted that such system, by its nature, manages the Group’s key areas of risk within acceptable risk profile rather than eliminates the risk of failure of achieving the Group’s objectives and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

The Board is committed and will continue to take measures to strengthen the risk management and internal control environment of the Group based on the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The Board in 2014 will review the current systems in the Company, including the assurance process to strengthen the internal controls and risk management in the Company.

Key Risk Management and Internal Control Processes

1. Risk Management

- Risk Management is firmly embedded in the Group’s culture, processes and structure of the Company.
- The Group has in place an ongoing review process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives. This review process is conducted by the Company’s management team and Group Internal Audit Department.
- The Group will continue to foster a risk-aware culture in all decision-making and to commit in managing all risks in a proactive and effective manner. This is to enable the Group to respond effectively to the changing business and competitive environment which is critical for the Group’s sustainability and the enhancement of shareholders’ value.

2. Independent Assurance Mechanism

- The Group has a Group Internal Audit Department (“GIAD”) which carries out its functions independently and provides the Audit Committee and the Board with the assurance on the adequacy and integrity of the system of internal controls.
- Risk-based internal audits are carried out by the GIAD focusing on key risk areas. It provides a systematic and disciplined approach to evaluate and improve the effectiveness of the Group’s risk management, internal control, and governance processes.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

- The findings of the internal audits are discussed with Management and affirmative action agreed in response to the audit recommendations are duly documented in the audit report and tabled at the Audit Committee meetings. Follow ups will be carried out by GIAD should there be unresolved findings and the status of actions taken by Management will be reported to the Audit Committee.
- The Audit Committee reviews and approves the Annual Internal Audit Plan. It also reviews the internal audit function and quality of internal audits.
- In addition to this internal mechanism, the Audit Committee also reviews the detailed audit reports and management letter from its external auditors.

3. Other Key Elements of Internal Control Systems

- The Group has clear and formally defined approving authority limits and authorization procedures, which is the primary instrument that governs and manages the business decision making process within the Group. It also ensures that a system of internal control and checks and balances are incorporated therein.
- An annual budget is reviewed and approved by the Board. The actual performance is assessed against the approved budget where explanations, clarifications and corrective actions taken are regularly reported by the Management for significant variances to the Board. The Board also approves any changes or amendments to the Group's policies.
- Management has introduced well-established standard operating procedures that cover the key aspects of the Group's various business processes. The procedures are subject to regular reviews to cater for process changes, changing risks or further improvements.
- Aside from the standard operating procedures, changes in internal control procedures are also communicated via circulars and internal memos. Such circulars and memos are properly authorised by the relevant members of senior management.
- The Group places much emphasis on human capital management and talent management with the objectives of ensuring staff of all levels are adequately trained and competent to carry out their duties and responsibilities towards achieving the Group's objectives.
- The Management team undertakes site visits to the operating units and communicates with various levels of staff to gauge the effectiveness of the strategies discussed and implemented as well as understand their problems and concerns with regard to daily operations. This is to ensure that a transparent and open channel of communication is maintained and to enable prompt corrective actions taken for any deficiencies noted.
- The Group has in place a Whistle Blowing Policy that is approved by the Board. The policy outlines the Group's commitment towards enabling the employees to raise concerns in a responsible manner regarding any wrong doings or malpractices without being subject to victimization or discriminatory treatment, and to have such concerns properly investigated. All the disclosures made under the Policy will be handled with strict confidence. The Policy promotes a culture of honesty, openness and transparency within the Group.

Board Assessment

Taking into consideration the assurance from the Managing Director and Finance & Administration Head and input from the relevant assurance providers, the Board is of the view that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects, during the year under review.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

Review of this Statement

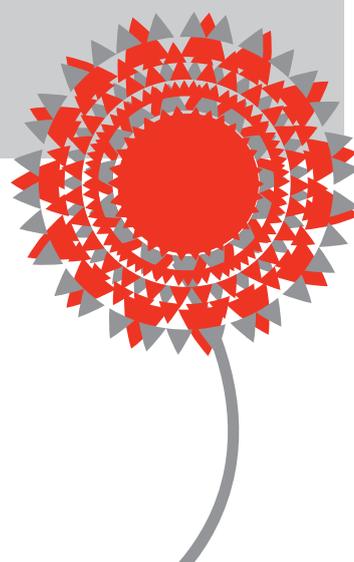
As required by Para 15.23 of the Main Market Listing Requirements, the external auditors have reviewed the Statement on Risk Management and Internal Control. This review was performed in accordance with Recommended Practice Guide (“RPG”) 5 issued by the Malaysian Institute of Accountants (“MIA”). Based on the review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system within the Group.

RPG 5 does not require the external auditors to consider whether the Statement on Risk Management and Internal Control covers all the risks and controls, or to form an opinion on the adequacy and effectiveness of the Group’s risk management and internal control system including the assessment and opinion by the Board and management thereon.

This Statement is made in accordance to the resolution of the Board dated 23 April 2014.

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

Principal activities

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries is as disclosed in Note 38.

There have been no significant changes in the nature of these principal activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year	46,872	37,870
Attributable to:		
Owners of the Company	48,249	
Non-controlling interests	(1,377)	
	<u>46,872</u>	

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

A final dividend of 5 sen single-tier dividend per share for the financial year ended 31 December 2013 has been proposed subject to Bank Negara Malaysia's approval and shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by Bank Negara Malaysia and shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2014.

DIRECTORS' REPORT (cont'd)

DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Dr Yahya bin Awang
Tan Sri Dato' Surin Upatkoon
Mr Ng Kok Cheang
Dato' Lim Tiong Chin
Mr. Kuah Hun Liang
Ms. Ivevei Upatkoon (Appointed on 20 February 2014)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 6(b) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1.00 each			
	As at 01.01.2013/ Date of appointment	Allotted ^(d) /Acquired	Disposed	As at 31.12.2013
Shares in the Company				
Direct Interest:				
Tan Sri Dato' Dr Yahya bin Awang	-	51,100	-	51,100
Mr Ng Kok Cheang	-	263,900	-	263,900
Dato' Lim Tiong Chin	-	508,000	-	508,000
Mr Kuah Hun Liang	-	241,100	-	241,100
Indirect/Deemed Interest:				
Tan Sri Dato' Surin Upatkoon	2 ^(b)	714,999,998 ^{(b)(f)}	(715,000,000) ^(b)	-
	-	252,303,493	-	252,303,493 ^(c)
Indirect Interest:				
Dato' Lim Tiong Chin	-	4,160,000	-	4,160,000 ^(e)

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS (cont'd)

	Number of ordinary shares of RM1.00 each			As at ^(a) 27.06.2013
	As at 01.01.2013/ Date of appointment	Acquired	Disposed	
Shares in former ultimate Holding Company Magnum Berhad ^(a) <i>(formerly known as Multi-Purpose Holdings Berhad)</i>				
Direct Interest:				
Tan Sri Dato' Dr Yahya bin Awang	30,000	10,000	-	40,000
Mr Ng Kok Cheang	500,000	-	-	500,000
Dato' Lim Tiong Chin	1,000,000	-	-	1,000,000
Mr Kuah Hun Liang	5,139,010	45,400	(45,400)	5,139,010
Indirect/Deemed Interest:				
Tan Sri Dato' Surin Upatkoorn	470,984,361	-	-	470,984,361 ^(b)
Indirect Interest:				
Dato' Lim Tiong Chin	8,200,000	-	-	8,200,000 ^(e)

(a) As at 1 January 2013, MPH B Capital Berhad ("MPHB Capital" or "the Company") was a wholly-owned subsidiary of Magnum Berhad ("Magnum"). On 27 June 2013, Magnum ceased to have any interest in MPH B Capital following the completion of the renounceable offer for sale by Magnum of 715,000,000 ordinary shares of RM1.00 each in MPH B Capital ("Offer Shares") representing 100% equity interest in MPH B Capital to the existing shareholders of Magnum ("Offer for Sale"). Consequently, Magnum also ceased to be the ultimate holding company of the Company.

(b) Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through his shareholdings in Casi Management Sdn. Bhd. and Pinjaya Sdn. Bhd. and indirect interest held through his daughter, Ivevei Upatkoorn.

Tan Sri Dato' Surin Upatkoorn by virtue of his interest of not less than 15% in the voting shares in Magnum, is deemed to have an indirect interest in the shares of all subsidiaries of Magnum to the extent of Magnum's interest in these subsidiaries.

(c) Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through his shareholdings in Casi Management Sdn. Bhd. and Pinjaya Sdn. Bhd. and indirect interest held through his daughters, Ivevei Upatkoorn and Maythini Upatkoorn.

Tan Sri Dato' Surin Upatkoorn by virtue of his interest of not less than 15% in the voting shares in MPH B Capital, is deemed to have an indirect interest in the shares of all subsidiaries of MPH B Capital to the extent of MPH B Capital's interest in these subsidiaries.

(d) Allotment of MPH B Capital's shares pursuant to the Offer for Sale on the basis of 1 Offer Share for every 2 existing ordinary shares of RM1.00 each held in Magnum.

(e) Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through his shareholdings of more than 15% in Keetinsons Sendirian Berhad and T.C. Holdings Sendirian Berhad.

(f) Allotment and issuance of shares to Magnum as described below.

ISSUANCE OF SHARES

During the financial year, the Company increased its issued and paid-up capital from RM2.00 to RM715,000,000.00 through the allotment and issuance of 714,999,998 new ordinary shares of RM1.00 each in the Company pursuant to the Company's acquisition shares in Caribbean Gateway Sdn. Bhd., Tibanis Sdn. Bhd., Magnum.Com Sdn. Bhd., Mimaland Berhad, Magnum Leisure Sdn. Bhd., Leisure Dotcom Sdn. Bhd., Queensway Nominees (Asing) Sdn. Bhd., Queensway Nominees (Tempatan) Sdn. Bhd., West-Jaya Sdn. Bhd., Kelana Megah Development Sdn. Bhd. and Multi-Purpose Capital Holdings Berhad from Magnum for a total consideration of RM1,088,664,998.00, satisfied by a cash payment of RM77,574,000.00 and the issuance of 714,999,998 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.00 per share. The fair value of the shares were RM1.4141 per share.

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amounts stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 32 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 April 2014.

Tan Sri Dato' Surin Upatkoon

Ng Kok Cheang

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Surin Upatkoon and Ng Kok Cheang, being two of the Directors of MPH Capital Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 45 to 134 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 40 to the financial statements have been prepared in accordance with the Guidance on Special Matter 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 April 2014.

Tan Sri Dato' Surin Upatkoon

Ng Kok Cheang

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Tan Sri Dato' Surin Upatkoon, being the Director primarily responsible for the financial management of MPH Capital Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 45 to 135 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Tan Sri Dato' Surin Upatkoon at Kuala Lumpur in the Federal Territory on 23 April 2014.

Tan Sri Dato' Surin Upatkoon

Before me,

M. SIVANASON (Licence No. W590)
Commissioner for Oaths



INDEPENDENT AUDITORS' REPORT

to the members of MPHB Capital Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MPHB Capital Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 45 to 134.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT (cont'd)

to the members of MPHB Capital Berhad (Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 40 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
23 April 2014

Yeo Beng Yean
No. 3013/10/14(J)
Chartered Accountant



STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	Group	Company	
		2013	2013	17.07.2012 to 31.12.2012
		RM'000	RM'000	RM'000
Revenue	3	245,973	46,905	-
Cost of sales	4	(164,592)	-	-
Gross profit		81,381	46,905	-
Other income	5	50,802	412	-
Administrative expenses		(36,636)	(3,798)	-
Other expenses		(34,223)	(2,777)	(168)
Operating profit/(loss)	6	61,324	40,742	(168)
Finance costs	7	(3,835)	-	-
Share of results of an associate		101	-	-
Profit/(loss) before tax		57,590	40,742	(168)
Income tax expense	8	(10,718)	(2,872)	-
Profit/(loss) for the year		46,872	37,870	(168)
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Fair value reserves				
Net loss arising during the year		(4,349)	-	-
Net realised gains transferred to profit or loss		(6,170)	-	-
		(10,519)	-	-
Tax effects		314	-	-
		(10,205)	-	-
Total comprehensive income/(loss) for the year		36,667	37,870	(168)

STATEMENTS OF COMPREHENSIVE INCOME (cont'd)
For the year ended 31 December 2013

	Note	Group	Company	
		2013 RM'000	2013 RM'000	17.07.2012 to 31.12.2012 RM'000
Profit/(loss) attributable to:				
Owners of the Company		48,249	37,870	(168)
Non-controlling interests		(1,377)	-	-
		46,872	37,870	(168)
Total comprehensive income/(loss) attributable to:				
Owners of the Company		38,044	37,870	(168)
Non-controlling interests		(1,377)	-	-
		36,667	37,870	(168)
Earnings per share attributable to Owners of the Company (sen per share)				
Basic, for profit for the year	9	8.9		.

The accompanying notes form an integral part of the financial statements.



STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

	Note	Group 2013 RM'000	Company 2013 RM'000	2012 RM'000
Assets				
Non-current assets				
Property, plant and equipment	10	87,324	1,114	-
Investment properties	11	744,051	-	-
Investment in subsidiaries	12	-	1,202,131	-
Investment in an associate	13	550	-	-
Investment securities	14	362,205	-	-
Intangible assets	15	42,884	-	-
Deferred tax assets	26	11,598	-	-
		1,248,612	1,203,245	-
Current assets				
Inventories	16	199	-	-
Receivables	17	228,356	14,876	-
Reinsurance assets	18	411,528	-	-
Tax recoverable		6,156	-	-
Investment securities	14	103,315	-	-
Cash and bank balances	19	311,422	7,506	3
		1,060,976	22,382	3
Asset held for sale	20	30,195	-	-
Total assets		2,339,783	1,225,627	3

STATEMENTS OF FINANCIAL POSITION (cont'd)
as at 31 December 2013

	Note	Group 2013 RM'000	Company 2013 RM'000	2012 RM'000
Equity and liabilities				
Equity attributable to Owners of the Company				
Share capital	21	715,000	715,000	-
Share premium	21	296,091	296,091	-
Other reserves	22	47,837	-	-
Merger deficit	23	(28,464)	-	-
Retained profits/(Accumulated losses)	24	48,081	37,702	(168)
		1,078,545	1,048,793	(168)
Non-controlling interests		15,389	-	-
Total equity		1,093,934	1,048,793	(168)
Non-current liabilities				
Borrowings	25	63,721	-	-
Deferred tax liabilities	26	24,079	-	-
		87,800	-	-
Current liabilities				
Payables	27	288,714	176,749	171
Insurance contract liabilities	18	816,204	-	-
Borrowings	25	29,650	-	-
Tax payable		875	85	-
		1,135,443	176,834	171
Liability directly associated with asset held for sale	20	22,606	-	-
Total liabilities		1,245,849	176,834	171
Total equity and liabilities		2,339,783	1,225,627	3

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2013

Group	← Attributable to Owners of the Company →							
	← Non-distributable →				Distributable			
	Share capital (Note 21) RM'000	Share premium (Note 21) RM'000	Other reserves (Note 22) RM'000	Merger deficit (Note 23) RM'000	Retained profits (Note 24) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2013	#	-	-	-	(168)	(168)	-	(168)
Issuance of ordinary shares in connection with the merger and acquisition of subsidiaries	715,000	296,091	58,042	(28,464)	-	1,040,669	16,766	1,057,435
Other comprehensive income for the year	-	-	(10,205)	-	-	(10,205)	-	(10,205)
Profit for the year	-	-	-	-	48,249	48,249	(1,377)	46,872
Total comprehensive income for the year	-	-	(10,205)	-	48,249	38,044	(1,377)	36,667
At 31 December 2013	715,000	296,091	47,837	(28,464)	48,081	1,078,545	15,389	1,093,934

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY (cont'd)

For the year ended 31 December 2013

Company	Attributable to Owners of the Company					Total RM'000
	Share capital (Note 21) RM'000	Share premium (Note 21) RM'000	Other reserves (Note 22) RM'000	Merger deficit (Note 23) RM'000	Distributable (Accumulated losses)/ Retained profits (Note 24) RM'000	
At 17 July 2012						
Issuance of ordinary shares at date of incorporation	#	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(168)	(168)
At 31 December 2012	#	-	-	-	(168)	(168)
At 1 January 2013	#	-	-	-	(168)	(168)
Issuance of ordinary shares	715,000	296,091	-	-	-	1,011,091
Total comprehensive income for the year	-	-	-	-	37,870	37,870
At 31 December 2013	715,000	296,091	-	-	37,702	1,048,793

represents RM2.00

The accompanying notes form an integral part of the financial statements.

